

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

Lagoon Estates Water Company

2600 N. 44th St, Ste 203

Phoenix, AZ 85008

RECEIVED

W-01825A

ANNUAL REPORT

FOR YEAR ENDING

12	31	2006
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FOR COMMISSION USE

ANN04	06
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entered
4-12-07 RF

COMPANY INFORMATION

Company Name (BusinessName) Lagoon Estates Water Company

Mailing Address 2600 N. 44th Street, Suite 203
(Street)

Phoenix
(City)

AZ
(State)

85008
(Zip)

602-275-5402
Telephone No. (Include Area Code)

602-275-8742
Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address: sherrillfarmsi@msn.com

Local Office Mailing Address _____
(Street)

(City)

(State)

(Zip)

Local Office Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address _____

MANAGEMENT INFORMATION

Management Contact: Stan Miller Controller
(Name) (Title)

2600 N. 44th Street, Ste 203
(Street)

Phoenix
(City)

AZ
(State)

85008
(Zip)

602-275-5404

Telephone No. (Include Area Code)

602-275-8742

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address _____

On Site Manager: Charles B. Sherrill Jr
(Name)

2801 Laguna Road
(Street)

Mohave Valley
(City)

AZ
(State)

86440
(Zip)

928-768-7979

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address _____

☒ Please mark this box if the above address(es) have changed or are updated since the last filing.

Statutory Agent: Charles B. Sherrill Jr.

<u>2600 N. 44th St, Ste 203</u>	<u>Phoenix</u>	<u>AZ</u>	<u>85008</u>
(Street)	(City)	(State)	(Zip)

<u>602-275-5402</u>	<u>602-275-8742</u>	<u></u>
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)

Attorney: Gerald Sherrill

(Name)

<u>2600 N. 44th St, Ste 203</u>	<u>Phoenix</u>	<u>AZ</u>	<u>85008</u>
(Street)	(City)	(State)	(Zip)

<u>602-275-5402</u>	<u>602-275-8742</u>	<u></u>
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

OWNERSHIP INFORMATION

Check the following box that applies to your company:

- | | |
|---|---|
| <input type="checkbox"/> Sole Proprietor (S) | <input type="checkbox"/> C Corporation (C) (Other than Association/Co-op) |
| <input type="checkbox"/> Partnership (P) | <input checked="" type="checkbox"/> Subchapter S Corporation (Z) |
| <input type="checkbox"/> Bankruptcy (B) | <input type="checkbox"/> Association/Co-op (A) |
| <input type="checkbox"/> Receivership (R) | <input type="checkbox"/> Limited Liability Company |
| <input type="checkbox"/> Other (Describe) _____ | |

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

- | | | |
|-------------------------------------|-----------------------------------|--|
| <input type="checkbox"/> APACHE | <input type="checkbox"/> COCHISE | <input type="checkbox"/> COCONINO |
| <input type="checkbox"/> GILA | <input type="checkbox"/> GRAHAM | <input type="checkbox"/> GREENLEE |
| <input type="checkbox"/> LA PAZ | <input type="checkbox"/> MARICOPA | <input checked="" type="checkbox"/> MOHAVE |
| <input type="checkbox"/> NAVAJO | <input type="checkbox"/> PIMA | <input type="checkbox"/> PINAL |
| <input type="checkbox"/> SANTA CRUZ | <input type="checkbox"/> YAVAPAI | <input type="checkbox"/> YUMA |
| <input type="checkbox"/> STATEWIDE | | |

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (OC less AD)
301	Organization			
302	Franchises			
303	Land and Land Rights	28,262	0	28,262
304	Structures and Improvements	40,439	25,027	15,412
307	Wells and Springs	76,079	43,002	33,077
311	Pumping Equipment	62,110	52,840	9,270
320	Water Treatment Equipment	15,467	6,413	9,054
330	Distribution Reservoirs and Standpipes	54,868	48,896	5,972
331	Transmission and Distribution Mains	174,389	149,869	24,520
333	Services			
334	Meters and Meter Installations	33,399	25,542	7,857
335	Hydrants	448	448	0
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment	1,655	53	1,602
340	Office Furniture and Equipment	8,724	7,433	1,291
341	Transportation Equipment	14,429	2,146	12,283
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	TOTALS	510,269	360,669	149,600

This amount goes on the Balance Sheet Acct. No. 108

CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)
301	Organization			
302	Franchises			
303	Land and Land Rights	28,262	0	
304	Structures and Improvements	40,439	3.23	1,306
307	Wells and Springs	76,079	3.23	2,457
311	Pumping Equipment	62,110	3.23	2,006
320	Water Treatment Equipment	15,467	3.23	500
330	Distribution Reservoirs and Standpipes	54,868	3.23	1772
331	Transmission and Distribution Mains	174,389	3.23	5633
333	Services			
334	Meters and Meter Installations	33,399	3.23	1,079
335	Hydrants	448	0	
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment	1,655	3.23	53
340	Office Furniture and Equipment	8,724	3.23	282
341	Transportation Equipment	14,429	3.23	466
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	TOTALS	510,269		15,554

This amount goes on the Comparative Statement of Income and Expense _____
Acct. No. 403.

BALANCE SHEET

Acct No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	ASSETS		
	CURRENT AND ACCRUED ASSETS		
131	Cash	32,932	11,708
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable		
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies		
162	Prepayments		
174	Miscellaneous Current and Accrued Assets		\$1,000
	TOTAL CURRENT AND ACCRUED ASSETS	\$33,932	\$12,708
	FIXED ASSETS		
101	Utility Plant in Service	\$485,695	\$510,269
103	Property Held for Future Use		
105	Construction Work in Progress		
108	Accumulated Depreciation – Utility Plant	\$345,115	\$360,669
121	Non-Utility Property		
122	Accumulated Depreciation – Non Utility		
	TOTAL FIXED ASSETS	\$140,580	\$139,947
	TOTAL ASSETS	\$174,512	\$162,308

NOTE: The Assets on this page should be equal to **Total Liabilities and Capital** on the following page.

BALANCE SHEET (CONTINUED)

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	LIABILITIES		
	CURRENT LIABILITIES		
231	Accounts Payable	\$661	\$0.00
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits	\$59,602	\$54,833
236	Accrued Taxes		
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities		\$700
	TOTAL CURRENT LIABILITIES	\$60,263	\$55,533
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds	\$25,970	\$25,170
	DEFERRED CREDITS		
251	Unamortized Premium on Debt	\$	\$
252	Advances in Aid of Construction		
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction		
272	Less: Amortization of Contributions		
281	Accumulated Deferred Income Tax		
	TOTAL DEFERRED CREDITS	\$	\$
	TOTAL LIABILITIES	\$86,233	\$80,703
	CAPITAL ACCOUNTS		
201	Common Stock Issued	\$75,214	\$75,214
211	Paid in Capital in Excess of Par Value	\$101,471	\$101,471
215	Retained Earnings	\$(88,406)	\$(95,080)
218	Proprietary Capital (Sole Props and Partnerships)		
	TOTAL CAPITAL	\$88,279	\$81,605
	TOTAL LIABILITIES AND CAPITAL	\$174,512	\$162,308

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$135,804	\$187,645
460	Unmetered Water Revenue		
474	Other Water Revenues	\$8,786	\$16,451
	TOTAL REVENUES	\$144,590	\$204,096
	OPERATING EXPENSES		
601	Salaries and Wages	\$41,145	\$63,401
610	Purchased Water		
615	Purchased Power	\$5,533	\$7,999
618	Chemicals	\$645	\$746
620	Repairs and Maintenance	\$24,288	\$29,112
621	Office Supplies and Expense	\$9,607	\$17,695
630	Outside Services	\$	\$7,936
635	Water Testing	\$1,081	\$2,117
641	Rents		
650	Transportation Expenses	\$2,523	\$6,020
657	Insurance – General Liability	\$4,647	\$1,709
659	Insurance - Health and Life	\$4,422	\$3,426
666	Regulatory Commission Expense – Rate Case		
675	Miscellaneous Expense	\$6,889	\$1,157
403	Depreciation Expense	\$13,329	\$15,554
408	Taxes Other Than Income	\$11,586	\$20,746
408.11	Property Taxes	\$5,629	\$5,486
409	Income Tax		
	TOTAL OPERATING EXPENSES	\$131,324	\$183,104
	OPERATING INCOME/(LOSS)	\$13,266	\$20,992
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	\$	\$
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense	\$2,252	\$27,806
	TOTAL OTHER INCOME/(EXPENSE)	\$2,252	\$27,806
	NET INCOME/(LOSS)	\$11,014	\$(6,814)

SUPPLEMENTAL FINANCIAL DATA

Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued	12/5/95			
Source of Loan	SHERRILL VENTURES			
ACC Decision No.				
Reason for Loan	IMPROVEMENTS			
Dollar Amount Issued	\$28,000	\$	\$	\$
Amount Outstanding	\$25,170	\$	\$	\$
Date of Maturity	N/A			
Interest Rate	8.00 %	%	%	%
Current Year Interest	\$	\$	\$	\$
Current Year Principle	\$	\$	\$	\$

Meter Deposit Balance at Test Year End \$37,737

Meter Deposits Refunded During the Test Year \$4,031

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-536722	40 TURBANE	1500	270	16	8	
55-618835	7.5	3.5	175	12	4	
55-618836	7.5	300	180	8	3	
55-618837	5	300	210	8	3	

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
		15	5

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
		5000	4

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS

Size (in inches)	Material	Length (in feet)
2		
3		
4	PVC	165000
5		
6	PVC	10160
8	ACP 342	PVC1827
10	PCV (C900)	1833
12		

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X 3/4	370
3/4	
1	3
1 1/2	
2	2
Comp. 3	
Turbo 3	
Comp. 4	
Tubo 4	
Comp. 6	
Tubo 6	

For the following three items, list the utility owned assets in each category.

TREATMENT EQUIPMENT:

STRUCTURES:

OTHER:

COMPANY NAME: LAGOON ESTATES WATER COMPANY

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2006

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD	GALLON PUMPED (Thousands)
JANUARY	388	2,407,302	2,799,500
FEBRUARY	391	2,888,443	2,888,100
MARCH	386	2,242,890	2,443,600
APRIL	392	2,865,884	3,851,200
MAY	382	2,382,854	3,488,400
JUNE	384	3,964,482	4,806,500
JULY	389	3,518,917	4,059,518
AUGUST	386	3,500,831	4,252,682
SEPTEMBER	388	3,518,086	4,553,500
OCTOBER	384	2,399,009	3,595,900
NOVEMBER	382	3,979,412	4,259,062
DECEMBER	385	3,330,579	3,589,338
TOTAL		39,998,689	44,582,300

Is the Water Utility located in an ADWR Active Management Area (AMA)?

(X) Yes () No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?

() Yes () No

If yes, provide the GPCPD amount: _____

What is the level of arsenic for each well on your system. _____ mg/l

(If more than one well, please list each separately.)

Note: If you are filing for more than one system, please provide separate data sheets for each system.

COMPANY NAME **LAGOON ESTATES WATER COMPANY** **YEAR ENDING 12/31/2005**

PROPERTY TAXES

Amount of actual property taxes paid during Calendar Year 2006 was: \$ **5486.00**

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why. _____

RECEIVED

VERIFICATION
AND
SWORN STATEMENT
Taxes

17 JRP 00007
04/01/07

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED
OF THE

COUNTY OF (COUNTY NAME)
MOHAVE
NAME (OWNER OR OFFICIAL) TITLE
CHARLES B. SHERRILL JR.
COMPANY NAME
LAGOON ESTATES WATER COMPANY

DO SAY THAT THIS ANNUAL UTILITY PROPERTY TAX AND SALES TAX REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING


MONTH	DAY	YEAR
12	31	2006

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

I HEREBY ATTEST THAT ALL PROPERTY TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.

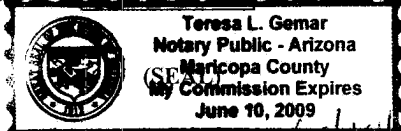
I HEREBY ATTEST THAT ALL SALES TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.


SIGNATURE OF OWNER OR OFFICIAL
(602) 275-5402
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

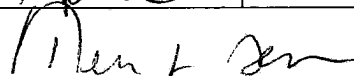
A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 1st DAY OF



MY COMMISSION EXPIRES 6/10/2009

COUNTY NAME	<u>Maricopa</u>
MONTH	<u>April</u>
	<u>2007</u>



SIGNATURE OF NOTARY PUBLIC

COMPANY NAME LAGOON ESTATES WATER COMPANY **YEAR ENDING 12/31/2006**

INCOME TAXES

For this reporting period, provide the following:

Federal Taxable Income Reported	<u>\$ (9,148)</u>
Estimated or Actual Federal Tax Liability	<u>0</u>

State Taxable Income Reported	<u>\$(9,148)</u>
Estimated or Actual State Tax Liability	<u>0</u>

Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances _____
 Amount of Gross-Up Tax Collected _____
 Total Grossed-Up Contributions/Advances _____

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

CERTIFICATION

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.

Charles B. Shively 4-4-07
SIGNATURE DATE

Charles B Sherrill Jr.	President
PRINTED NAME	TITLE

**VERIFICATION
AND
SWORN STATEMENT**
Intrastate Revenues Only

RECEIVED

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) MOHAVE
NAME (OWNER OR OFFICIAL) TITLE CHARLES B. SHERRILL JR.
COMPANY NAME LAGOON ESTATES WATER COMPANY

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2006

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT


IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2006 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

\$204,096

(THE AMOUNT IN BOX ABOVE
INCLUDES \$10,378
IN SALES TAXES BILLED, OR COLLECTED)

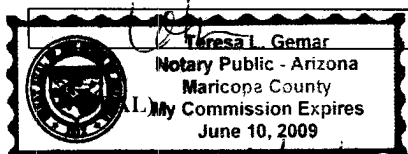
****REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)**


SIGNATURE OF OWNER OR OFFICIAL
(602) 275-5403
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS



DAY OF

COUNTY NAME	<u>Maricopa</u>	
MONTH	<u>April</u>	<u>20</u> 07

MY COMMISSION EXPIRES

6/10/2009


SIGNATURE OF NOTARY PUBLIC

**VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
INTRASTATE REVENUES ONLY**

RECEIVED

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) MOHAVE	
NAME (OWNER OR OFFICIAL) CHARLES B. SHERRILL JR.	TITLE PRESIDENT
COMPANY NAME LAGOON ESTATES WATER COMPANY	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2006

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2006 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES
\$204,096

(THE AMOUNT IN BOX AT LEFT
INCLUDES \$10,378
IN SALES TAXES BILLED, OR COLLECTED)

*RESIDENTIAL REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED.

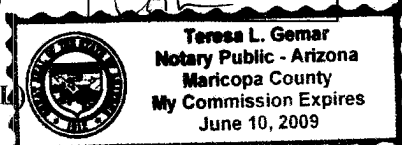
Charles B. Sherrill Jr.
SIGNATURE OF OWNER OR OFFICIAL
(602) 275-5403
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 14th **DAY OF**

(SEAL)



MY COMMISSION EXPIRES 6/10/2009

NOTARY PUBLIC NAME <i>Teresa L. Gemar</i>	
COUNTY NAME <i>Maricopa</i>	
MONTH <i>April</i>	YEAR <i>2007</i>

X *Teresa L. Gemar*
SIGNATURE OF NOTARY PUBLIC

***Annual Drinking Water Quality Report
Lagoon Estates Water Company, July 2006***

We're pleased to present to you this year's Annual Quality Water Report. This report is designed to inform you about the quality water and services we deliver to you every day. Our constant goal is to provide you with a safe and dependable supply of drinking water. We want you to understand the efforts we make to continually improve the water treatment process and protect our water resources. We are committed to ensuring the quality of your water. Our water sources are groundwater wells located at:

Section 1, Unit 7, Well ID# 55-536722; Section 1, Unit 4, Well ID# 55-618835; Section 35, Unit 2, Well ID# 55-618836 and Well ID# 55-618837. All of these wells draw from the Colorado River Aquifer.

Arizona's Source Water Assessment Program is part of a nation wide effort initiated in 1996 by amendments to the Safe Drinking Water Act. The intent of SWAP is to complete an evaluation of all sources of water (well, surface water intakes, and springs) that provide drinking water to public water systems in Arizona. The goal of the SWAP is to promote community awareness and to facilitate and encourage source water protection at the community level. We have the source Water Assessment Report available to our customers upon request. This report includes information such as potential sources of contamination; map(s); a description of the hydrogeology within the vicinity of the source water area and land use evaluation.

This report shows our water quality and what it means.

If you have any questions about this report or concerning your water utility, please contact **Karen Brereton at 928-768-9646.**

We want our valued customers to be informed about their water utility. If you want to learn more, please attend any of our regularly scheduled meetings. They are held on **the 1st Thursday of every month at 8:00 a.m. at 2600 North 44th Street, Ste. 203, Phoenix, Arizona.**

Lagoon Estates Water Company routinely monitors for constituents in your drinking water according to Federal and State laws. Through the Arizona Department of Environmental Quality, Lagoon Estates Water Co. has met the waiver study criteria and are therefore eligible for a use waiver for Volatile Organic Chemicals and Synthetic Organic Chemicals. Unless noted otherwise, the data presented in this table shows the results of our monitoring for the period of January 1st to December 31st, **2005**. As water travels over the land or underground, it can pick up substances or contaminants such as microbes, inorganic and organic chemicals, and radioactive substances. All drinking water, including bottled drinking water, may be reasonably expected to contain at least small amounts of some constituents. It's important to remember that the presence of these constituents does not necessarily pose a health risk.

In this table you will find many terms and abbreviations you might not be familiar with. To help you better understand these terms we've provided the following definitions:

Non-Detects (ND) - laboratory analysis indicates that the constituent is not present.

Parts per million (ppm) or Milligrams per liter (mg/l) - one part per million corresponds to one minute in two years or a single penny in \$10,000.

Parts per billion (ppb) or Micrograms per liter - one part per billion corresponds to one minute in 2,000 years, or a single penny in \$10,000,000.

Parts per trillion (ppt) or Nanograms per liter (nanograms/l) - one part per trillion corresponds to one minute in 2,000,000 years, or a single penny in \$10,000,000,000.

Parts per quadrillion (ppq) or Picograms per liter (picograms/l) - one part per quadrillion corresponds to one minute in 2,000,000,000 years or one penny in \$10,000,000,000,000.

Picocuries per liter (pCi/L) - picocuries per liter is a measure of the radioactivity in water.

Millirems per year (mrem/yr) - measure of radiation absorbed by the body.

Million Fibers per Liter (MFL) - million fibers per liter is a measure of the presence of asbestos fibers that are longer than 10 micrometers.

Nephelometric Turbidity Unit (NTU) - nephelometric turbidity unit is a measure of the clarity of water. Turbidity in excess of 5 NTU is just noticeable to the average person.

Action Level - the concentration of a contaminant which, if exceeded, triggers treatment or other requirements which a water system must follow.

Treatment Technique (TT) - (mandatory language) A treatment technique is a required process intended to reduce the level of a contaminant in drinking water.

Maximum Contaminant Level (MCL) - (mandatory language) The “Maximum Allowed” (MCL) is the highest level of a contaminant that is allowed in drinking water. MCLs are set as close to the MCLGs as feasible using the best available treatment technology.

Maximum Contaminant Level Goal (MCLG) - (mandatory language) The “Goal”(MCLG) is the level of a contaminant in drinking water below which there is no known or expected risk to health. MCLGs allow for a margin of safety.

TEST RESULTS

Contaminant	Violation Y/N	Level Detected	Unit Measurement	MCLG	MCL	Likely Source of Contamination
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Microbiological Contaminants

1. Total Coliform Bacteria	Yes	2 Samples 08/2005		0	presence of coliform bacteria in 5% of monthly samples	Naturally present in the environment
2. Fecal coliform and <i>E.coli</i>	No			0	a routine sample and repeat sample are total coliform positive, and one is also fecal coliform or <i>E. coli</i> positive	Human and animal fecal waste
3. Turbidity	No			n/a	TT	Soil runoff

Radioactive Contaminants 2003

4. Beta/photon emitters	No		mrem/yr	0	4	Decay of natural and man-made deposits
5. Alpha emitters	No		pCi/l	0	15	Erosion of natural deposits
6. Combined radium	No		pCi/l	0	5	Erosion of natural deposits
7. Uranium ¹	No		µg/L	0 ¹	30 ¹	Erosion of natural deposits

Inorganic Contaminants 2003

8. Antimony	No		ppb	6	6	Discharge from petroleum refineries; fire retardants; ceramics; electronics; solder
9. Arsenic ²	No		ppb	n/a ²	50 ²	Erosion of natural deposits; runoff from orchards; runoff from glass and electronics production wastes
10. Asbestos	No		MFL	7	7	Decay of asbestos cement water mains; erosion of natural deposits
11. Barium	No		ppm	2	2	Discharge of drilling wastes; discharge from metal refineries; erosion of natural deposits
12. Beryllium	No		ppb	4	4	Discharge from metal refineries and coal-burning factories; discharge from electrical, aerospace, and defense industries
13. Cadmium	No		ppb	5	5	Corrosion of galvanized pipes; erosion of natural deposits; discharge from metal refineries; runoff from waste batteries and paints
14. Chromium	No		ppb	100	100	Discharge from steel and pulp mills; erosion of natural deposits
15. Copper Test Year 2002	No		ppm	1.3	AL=1.3	Corrosion of household plumbing systems; erosion of natural deposits; leaching from wood preservatives
16. Cyanide	No		ppb	200	200	Discharge from steel/metal factories; discharge from plastic and fertilizer factories

17. Fluoride	No		ppm	4	4	Erosion of natural deposits; water additive which promotes strong teeth; discharge from fertilizer and aluminum factories
18. Lead Test Year 2002	No		ppb	0	AL=15	Corrosion of household plumbing systems, erosion of natural deposits
19. Mercury (inorganic)	No		ppb	2	2	Erosion of natural deposits; discharge from refineries and factories; runoff from landfills; runoff from cropland
20. Nitrate (as Nitrogen) Test Year 2004	No		ppm	10	10	Runoff from fertilizer use; leaching from septic tanks, sewage; erosion of natural deposits
21. Nitrite (as Nitrogen) Test Year 2004	No		ppm	1	1	Runoff from fertilizer use; leaching from septic tanks, sewage; erosion of natural deposits
22. Selenium	No		ppb	50	50	Discharge from petroleum and metal refineries; erosion of natural deposits; discharge from mines
23. Thallium	No		ppb	0.5	2	Leaching from ore-processing sites; discharge from electronics, glass, and drug factories

Synthetic Organic Contaminants including Pesticides and Herbicides

24. 2,4-D	No		ppb	70	70	Runoff from herbicide used on row crops
25. 2,4,5-TP (Silvex)	No		ppb	50	50	Residue of banned herbicide
26. Acrylamide	No			0	TT	Added to water during sewage/wastewater treatment
27. Alachlor	No		ppb	0	2	Runoff from herbicide used on row crops
28. Atrazine	No		ppb	3	3	Runoff from herbicide used on row crops
29. Benzo(a)pyrene (PAH)	No		nanograms/l	0	200	Leaching from linings of water storage tanks and distribution lines
30. Carbofuran	No		ppb	40	40	Leaching of soil fumigant used on rice and alfalfa
31. Chlordane	No		ppb	0	2	Residue of banned termiticide
32. Dalapon	No		ppb	200	200	Runoff from herbicide used on rights of way
33. Di(2-ethylhexyl) adipate	No		ppb	400	400	Discharge from chemical factories
34. Di(2-ethylhexyl) phthalate	No		ppb	0	6	Discharge from rubber and chemical factories
35. Dibromochloropropane	No		nanograms/l	0	200	Runoff/leaching from soil fumigant used on soybeans, cotton, pineapples, and orchards
36. Dinoseb	No		ppb	7	7	Runoff from herbicide used on soybeans and vegetables
37. Diquat	No		ppb	20	20	Runoff from herbicide use
38. Dioxin [2,3,7,8-TCDD]	No		picograms/l	0	30	Emissions from waste incineration and other combustion; discharge from chemical factories
39. Endothall	No		ppb	100	100	Runoff from herbicide use
40. Endrin	No		ppb	2	2	Residue of banned insecticide
41. Epichlorohydrin	No			0	TT	Discharge from industrial chemical factories; an impurity of some water treatment chemicals
42. Ethylene dibromide	No		nanograms/l	0	50	Discharge from petroleum refineries

43. Glyphosate	No		ppb	700	700	Runoff from herbicide use
44. Heptachlor	No		nanograms/l	0	400	Residue of banned termiticide
45. Heptachlor epoxide	No		nanograms/l	0	200	Breakdown of heptachlor
46. Hexachlorobenzene	No		ppb	0	1	Discharge from metal refineries and agricultural chemical factories
47. Hexachlorocyclopentadiene	No		ppb	50	50	Discharge from chemical factories
48. Lindane	No		nanograms/l	200	200	Runoff/leaching from insecticide used on cattle, lumber, gardens
49. Methoxychlor	No		ppb	40	40	Runoff/leaching from insecticide used on fruits, vegetables, alfalfa, livestock
50. Oxamyl [Vydate]	No		ppb	200	200	Runoff/leaching from insecticide used on apples, potatoes and tomatoes
51. PCBs [Polychlorinated biphenyls]	No		nanograms/l	0	500	Runoff from landfills; discharge of waste chemicals
52. Pentachlorophenol	No		ppb	0	1	Discharge from wood preserving factories
53. Picloram	No		ppb	500	500	Herbicide runoff
54. Simazine	No		ppb	4	4	Herbicide runoff
55. Toxaphene	No		ppb	0	3	Runoff/leaching from insecticide used on cotton and cattle

Volatile Organic Contaminants

56. Benzene	No		ppb	0	5	Discharge from factories; leaching from gas storage tanks and landfills
57. Carbon tetrachloride	No		ppb	0	5	Discharge from chemical plants and other industrial activities
58. Chlorobenzene	No		ppb	100	100	Discharge from chemical and agricultural chemical factories
59. o-Dichlorobenzene	No		ppb	600	600	Discharge from industrial chemical factories
60. p-Dichlorobenzene	No		ppb	75	75	Discharge from industrial chemical factories
61. 1,2 - Dichloroethane	No		ppb	0	5	Discharge from industrial chemical factories
62. 1,1 - Dichloroethylene	No		ppb	7	7	Discharge from industrial chemical factories
63. cis-1,2-dichloroethylene	No		ppb	70	70	Discharge from industrial chemical factories
64. trans - 1,2 - Dichloroethylene	No		ppb	100	100	Discharge from industrial chemical factories
65. Dichloromethane	No		ppb	0	5	Discharge from pharmaceutical and chemical factories
66. 1,2-Dichloropropane	No		ppb	0	5	Discharge from industrial chemical factories
67. Ethylbenzene	No		ppb	700	700	Discharge from petroleum refineries
68. Styrene	No		ppb	100	100	Discharge from rubber and plastic factories; leaching from landfills
69. Tetrachloroethylene	No		ppb	0	5	Discharge from factories and dry cleaners
70. 1,2,4 - Trichlorobenzene	No		ppb	70	70	Discharge from textile-finishing factories
71. 1,1,1 - Trichloroethane	No		ppb	200	200	Discharge from metal degreasing sites and other factories
72. 1,1,2 - Trichloroethane	No		ppb	3	5	Discharge from industrial chemical factories

73. Trichloroethylene	No		ppb	0	5	Discharge from metal degreasing sites and other factories
74. TTHM ³ [Total trihalomethanes]	No		ppb	0	80 or 100 ³	By-product of drinking water chlorination
75. Toluene	No		ppm	1	1	Discharge from petroleum factories
76. Vinyl Chloride	No		ppb	0	2	Leaching from PVC piping; discharge from plastics factories
77. Xylenes	No		ppm	10	10	Discharge from petroleum factories; discharge from chemical factories

All sources of drinking water are subject to potential contamination by substances that are naturally occurring or man made. These substances can be microbes, inorganic or organic chemicals and radioactive substances. All drinking water, including bottled water, may reasonably be expected to contain at least small amounts of some contaminants. The presence of contaminants does not necessarily indicate that the water poses a health risk. More information about contaminants and potential health effects can be obtained by calling the Environmental Protection Agency's Safe Drinking Water Hotline at 1-800-426-4791.

This past year the water system violated the maximum contaminant level for Total Coliform for the month of August 2005. Total Coliform are bacteria that are naturally present in the environment and are used as an indicator that other, potentially-harmful bacteria may be present. Coliforms were found in more samples than allowed and this was a warning of potential problems. Preventive action was taken immediately with disinfection and flushing of the main water lines. Six repeat samples were taken after thorough disinfection and flushing with all samples testing negative for Total Coliform.

MCL's are set at very stringent levels. To understand the possible health effects described for many regulated constituents, a person would have to drink 2 liters of water every day at the MCL level for a lifetime to have a one-in-a-million chance of having the described health effect.

Some people may be more vulnerable to contaminants in drinking water than the general population. Immuno-compromised persons such as persons with cancer undergoing chemotherapy, persons who have undergone organ transplants, people with HIV/AIDS or other immune system disorders, some elderly, and infants can be particularly at risk from infections. These people should seek advice about drinking water from their health care providers. EPA/CDC guidelines on appropriate means to lessen the risk of infection by cryptosporidium and other microbiological contaminants are available from the Safe Drinking Water Hotline (800-426-4791).

We at Lagoon Estates Water Company hope you find this report informative and helpful in understanding more about the water system and its operations. In order to maintain a safe and dependable water supply we sometimes need to make improvements that will benefit all of our customers. These improvements are sometimes reflected as rate structure adjustments. Thank you for understanding. If you have any questions or comments concerning your water quality, please contact us at 1-928-768-9646 or 1-800-291 5557 Monday through Friday 9:00 a.m. to 4:00 p.m.

Side Note:

November 2006 is Lagoon Estates Water Company's water sampling monitoring year for Synthetic Organic including Pesticide and Herbicide Contaminates, Volatile Organic Contaminates, Inorganic Contaminates and Radioactive Contaminates. Test results will not be available until April 2007 of these constituents.

Monthly microbiological samples have been taken for 2006 and there have been no violations to date.

Nitrates and Nitrites were taken in October 2006 with no violations of the maximum contaminate level.

Lead and Copper water samples were taken in November 2006 with no violation of the maximum contaminate level.